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Zoellick to Travel to Middle East June 18 - June 23

Zoellick to Discuss Free Trade and Economic Reform in Bahrain, Attend Informal WTO Meeting on Global Trade Talks in Egypt, and Deliver World Economic Forum Speech in Jordan

WASHINGTON – Building on President Bush’s proposal last month to establish a U.S.-Middle East Free Trade Area (MEFTA) by 2013, U.S. Trade Representative Robert B. Zoellick will travel to the Middle East June 18th - 23rd to discuss ways to promote regional and global trade and economic growth.

Zoellick will visit Bahrain to discuss how to expand U.S.-Bahrain trade ties with Prime Minister Shaikh Khalifa bin Salman Al Khalifa and Bahrainian business leaders on June 19th. He will then travel to Sharm El Sheikh, Egypt for an informal World Trade Organization meeting June 20th - June 22nd to discuss ongoing global trade negotiations. Zoellick will join U.S. Secretary of State Colin Powell at a meeting of the World Economic Forum (WEF) in Amman, Jordan, where Zoellick will deliver a major policy speech on June 23rd.

“The Administration is committed to pursuing opportunities that will help advance the development of a Middle East Free Trade Area by 2013,” said Zoellick. “The President’s vision is clear. Trade liberalization and increased economic integration will generate growth, create opportunity and promote security throughout the Middle East.”

“I’m pleased I’ll be able to visit Bahrain and discuss with Prime Minister Khalifa Al-Khalifa how their economic reform agenda and support for trade liberalization will complement our Free Trade Area (FTA) discussions next year. As the first FTA with a Gulf nation, a U.S.-Bahrain FTA would be an important regional hub for economic activity,” Zoellick added.

“I look forward to highlighting President Bush’s MEFTA proposal to regional leaders and key opinion makers who have assembled in Jordan for the WEF,” said Zoellick. “As one of only four nations with a free trade agreement with the United States, and the only Arab nation, Jordan is an excellent example of how trade can drive economic reforms and growth, creating jobs, prosperity and hope.”

Prior to the WEF, Zoellick will join WTO trade ministers in Egypt for an informal meeting to discuss the Doha Development Agenda (DDA) negotiations, hosted by Egyptian Trade Minister Boutris Ghali. The meeting is intended to review progress to date in the negotiations. The

meeting will help prepare for the WTO's 5th Ministerial Conference, September 10-14, in Cancun, Mexico. At the heart of the agenda will be the talks on agriculture. Ministers meeting in Egypt are expected to consider the state of play in these talks, especially in light of the European debate over the recommended reform of the Common Agricultural Policy. While Ministers will focus on the range of issues in the negotiations, it is clear that the progress in agriculture will set the pace for progress in other areas of the negotiations. Zoellick noted that the DDA holds out the promise of important cuts in tariffs, subsidies and other barriers to trade, which is essential to global economic growth.

"The United States is strongly committed to success in the WTO negotiations, and the discussions in Egypt will focus on how to advance the negotiations and prepare for Cancun," Zoellick said.

The United States has moved forward globally, regionally, and bilaterally to promote trade liberalization. In the global trade negotiations launched at Doha in November 2001, the U.S. has made bold proposals in agriculture, industrial and consumer goods, and in services.

Background:

U.S.-Middle East Free Trade Area

To re-ignite economic growth and expand opportunity in the Middle East, the President proposed on May 9th, 2003 establishing a U.S.-Middle East Free Trade Area within a decade. Building on our free trade agreements (FTAs) with Israel and Jordan, the United States will take a series of graduated steps:

- Help reforming countries become members of the World Trade Organization;
- Negotiate Bilateral Investment Treaties and Trade and Investment Framework Agreements (TIFA) with governments determined to improve their trade and investment regimes;
- Complete our negotiations on a free trade agreement with Morocco by the end of this year;
- Continue to pursue a FTA with the reform-focused leadership in Bahrain;
- Launch, in consultation with Congress, new bilateral free trade agreements with governments committed to high standards and comprehensive trade liberalization; and
- Provide assistance to build trade capacity and expansion so countries can benefit from integration into the global trading system.

Using Trade and Investment Framework Agreements to Build Free Trade:

Robust TIFA dialogues have fostered market liberalization and economic reforms with U.S. partners. Based on progress made through our TIFA discussions, including a visit by USTR Zoellick to Morocco in January 2002, and the Moroccan's commitment to opening their economy, President Bush and King Mohammed VI agreed in April 2002 on their desire to pursue a FTA. The announcement followed such key steps as the liberalization of the Moroccan

telecommunications sector and strengthening of its intellectual property protections. Negotiations began in January 2003, with a third round held most recently in Rabat, Morocco. An agreement on an FTA is expected by the end of this year.

A Future U.S.-Bahrain FTA:

Similarly productive discussions with Bahrain resulted in an announcement on May 21st in Washington, following meetings between Zoellick and Crown Prince Shaikh Salman Bin Hamad Al-Khalifa, that the United States and Bahrain would seek to negotiate a FTA following formal Congressional consultations. Subject to Congressional procedures, the two countries hope to start formal negotiations at the beginning of next year. The announcement with Bahrain follows on a very successful TIFA dialogue and Bahraini efforts to liberalize key sectors such as banking, insurance and telecommunications.

A comprehensive U.S.-Bahrain FTA will generate export opportunities for U.S. goods and increase access for U.S. services providers, creating jobs for U.S. farmers and workers. U.S. goods exports to Bahrain in 2002 totaled \$419.2 million, including aircraft, machinery, vehicles, pharmaceutical products, and toys, games and sports equipment. Agricultural commodities that would benefit from an FTA include U.S. meats, fruits and vegetables, cereals, and dairy produce. Bahrain's goods exports to the United States in 2002 totaled \$395.1 million, including articles of apparel and clothing accessories, aluminum, fertilizers, organic chemicals, mineral fuels and oils, plastics, and electrical machinery.

Furthermore, a U.S.-Bahrain FTA will support economic reform and investment opportunities. Bahrain is a regional leader in economic reform and trade liberalization and has undertaken a strong economic reform program that includes liberalization of the telecommunications market and recent legislation for transparent government procurement and labor rights.

Jordan FTA:

WTO and FTA policy initiatives have had a transforming impact on those countries that embraced market opening and liberalizing reforms. U.S.-Jordan trade has grown impressively with U.S. goods imports from Jordan totaling \$412 million in 2002, an 80 percent increase (\$183 million) from 2000, and up 1,321 percent over the last eight years. U.S. goods exports to Jordan in 2002 were \$404 million, up 19 percent (\$65 million) from 2001. These growing bilateral trade linkages have helped transform Jordan's economy, generating 30,000 new jobs since 1999 and encouraging diversification of Jordanian exports.

Middle East Participation in the WTO:

The region has made significant progress in increasing its participation in the WTO. Qatar hosted the Doha meetings in 2001. The U.S. has also worked with WTO accession candidate countries and has sponsored technical assistance to help them with their candidacy, including with Saudi Arabia, Lebanon, Algeria and Yemen.

Doha Global Trade Negotiations

The United States has made bold and ambitious proposals to spur global trade talks:

- *Agriculture*. The United States has proposed bold reform of global agricultural trade that would level the playing field for all countries by substantially reducing global trade barriers, slashing global trade-distorting subsidies by over \$100 billion annually, and eliminating export subsidies.
- *Services*. The United States has proposed liberalizing global trade in services by removing barriers in areas such as financial services (including insurance, banking and securities); telecommunications; express delivery; computer services; energy; and environmental services.
- *Industrial and Consumer Goods*. The United States has proposed a “tariff free world” by calling on members of the World Trade Organization (WTO) to eliminate all tariffs on consumer and industrial goods by 2015. Demonstrating continued U.S. leadership in the Doha Development Agenda, the U.S. plan for zero tariffs is comprehensive, and would benefit both developed and developing nations. This proposal, combined with the far-reaching U.S. agricultural reform proposal submitted to the WTO in July, would eliminate tariffs on the nearly \$6 trillion in annual world goods trade, lifting the economic fortunes of workers, families, businesses, and consumers.

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